

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION CONFERENCE COMMITTEE ON HOUSE AMENDMENTS TO SENATE BILL 320

Call to Order: By **CHAIRMAN BOB DEPRATU**, on April 9, 2001 at 1:30 P.M., in Room 350 Capitol.

ROLL CALL

Members Present:

Sen. Bob DePratu, Chairman (R)
Rep. Roger Somerville, Chairman (R)
Rep. Ronald Devlin (R)
Sen. Sam Kitzenberg (R)
Rep. Frank Smith (D)
Sen. Ken Toole (D)

Members Excused: None.

Members Absent: None.

Staff Present: Leanne Kurtz, Legislative Fiscal Staff
Deb Thompson, Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: 4/6/01
Executive Action: None

CONFERENCE COMMITTEE ON SENATE BILL 320

SENATOR SAM KITZENBURG, the bill sponsor, described the problems he saw with the House amendments. These were rejected and the Senate voted to uphold his objections to the amendments.

CHAIRMAN DEPRATU explained a majority vote was needed to reach an agreement. He opened it up to the committee for discussion.

SENATOR KITZENBURG pointed out the problem with the insert of thirty days after the Director of the Department of

Transportation certified to the Governor by sending a copy of the certification to the Secretary of State and the Code Commissioner that an ethanol plant is operational and producing fuel in Montana. To get an ethanol plant going you would have to notify the Department of Transportation two years in advance. The time frame, by adding this amendment that the House added would put the buying of these cars and this test two years into the future at least, or more, if it was signed today. That was the problem with the amendment. The idea originally, was to have 80 cars, 40 per year, which was then reduced to 10 cars. The idea of the 10 cars was for a trial run on ethanol cars to be reported back on how well they performed. There was also a contingency date on the bill. The idea was to do it immediately after the bill passed. The amendment goes contrary to that and puts it into the future for too long of time period. That date into the future was unknown between the Great Falls plant or the Conrad plant. Amendment 2 negates what the bill was trying to do. He requested the House reconsider the amendment so the 10 cars could be purchased to see how well they performed.

REPRESENTATIVE SMITH discussed the ethanol that came from Canada. He said he contacted the Petroleum Council in North Dakota and found that two plants were working. He felt if these plants worked well in North Dakota, maybe we could get them to work here.

REPRESENTATIVE SOMERVILLE said he was the one who put the amendment on the bill. He noted the cars could be tested in four or five years after the plants were up and running. He did not think Montana should be a test state for Ford Company or any other company that was producing these cars. He thought there was only one station in Montana with the product. Testing the cars to see if they worked meant you could only drive around Helena. The department is buying five cars and would be getting a big enough test without requiring in law to go out and purchase these cars. Ethanol is obtained right now by the ethanol producers in Canada. Canada is a closer haul than North Dakota so transportation costs are involved. Mike Allen, Allen Oil, is the only ethanol distributor in this region. He noted there was 10% ethanol sold in Helena and about fifty other stations around the state. It is important but if you burn that you can burn regular fuel in those cars so you are not really testing them. There is not a need for these cars until after there is an ethanol plant here, the system in place and the stations to support it. Then we could do a test. It will be at least a couple years before that plant gets put up. It was indicated the plant would be up in two years and then the Legislature authorized a ten year business equipment tax break to help get that plant operational. Providing those incentives in this bill

would put an undue burden on the Department of Transportation.

{Tape : 1; Side : A; Approx. Time Counter : 0 - 7.9}

SENATOR DEPRATU said he wanted to speak to the issue because it appeared he had a conflict of interest as he was a Ford dealer. He had made a conscious decision when he ran for office that he would not bid on any state automobile contracts, including service. In support of this bill, he did not feel this was a test for Ford Motor Company. Ford had tested the vehicles. There is no reporting back to Ford Motor Company on these vehicles. They happen to be the manufacturer that produces this type of vehicle at this time. They have thoroughly tested the vehicles and by supporting this bill, there should be a record kept as reporting is important. However, the prime issue is jobs and income. It is important to get the plant up. This is one way to help bring the information to the public that a plant is desirable, there is a practical use for the fuel that is produced. Both the Governor and the Lieutenant Governor had a desire to drive one of these vehicles as their personal assigned vehicles just to help promote the idea that we would like to support this plant. He suggested the amendments be removed because of the need to put out the image to let the public know we desire to have this plant up and running. It might help send a message to the financial people who have struggled to get the financing for the plant. It helps send the message that the state is in support of an ethanol plant. **{Tape : 1; Side : A; Approx. Time Counter : 7.9 - 11.2}**

REPRESENTATIVE DEVLIN commented that he agreed with the House amendments to the bill. He agreed that the state of Montana should support a Montana industry but as of yet this is not a Montana industry. All of the ethanol that comes into the state currently is imported from Canada and some comes in from Nebraska. As someone who is involved in agriculture, he supported the building of an ethanol plant because of its effects on the agricultural community. He thought it was premature to require by law that the state of Montana start purchasing vehicles for a industry that we don't have. He also noted that in the committee reports, it was reported that the state of Montana without the force of law, committed to buy five of these cars for use by the Motor Pool. The department of complying with the intent of this without the force of law. It is premature to put this in statute at this time. **{Tape : 1; Side : A; Approx. Time Counter : 11.2 - 12.8}**

SENATOR TOOLE said it was his perspective that part of this was promoting an industry in Montana and part was dealing with the technology that is in its infancy in developing stages. His biggest reservation about it was access to the fuel. His

experience in working in state government is there are lots of day trips out of Helena to Butte, Great Falls or Missoula. He did not think this bill was enough to build an industry in Montana. It was a technology that people are unsure of and somewhat fearful of it. The more people see it the more likely they are to enter that market. That is what he thought was good about it. **{Tape : 1; Side : A; Approx. Time Counter : 12.8 - 14}**

SENATOR KITZENBURG added that stations that carried ethanol had ten percent. The idea was to utilize those stations, which number 50-55. We are talking about ten cars and a test balloon. Something is happening nationwide which will have a tremendous effect on the Department of Transportation and that is when companies, like Ford, sell fleets they are selling ethanol vehicles. With that in mind, we should be thinking in terms of the future. He pointed out if a station was not available, all these cars switch over easily for regular fuel. It is very timely to proceed with this. The intent is to use Montana grain and Montana products and to have our own plant. That should not hold up the trial balloon on ten cars nor keep the Governor or Lieutenant Governor from driving these vehicles. **SENATOR DEPRATU** pointed out the fuel injection system is computerized in the new vehicles and senses the mix of fuel between gasoline and ethanol. If you filled up with gasoline it would automatically sense it and converts it.

SENATOR KITZENBURG said the amendment just put things off for two to three years. It has taken a long time to make small advances. Agriculture is still the number one business in Montana and we are trying to make some inroads as far as ethanol was concerned. This was intended to help farmers. The goal would be to create a demand. He expected a good report when these cars are tested. **{Tape : 1; Side : A; Approx. Time Counter : 14 - 20.9}**

REPRESENTATIVE SOMERVILLE pointed out the Montana Department of Transportation was already getting five cars. The Governor and Lieutenant Governor would have their cars. The problem with the test is they would not be staying in Helena but would be traveling the state. He asked what kind of test it would be when they would mostly be using regular fuel. He did not feel this should be put in code and we should go out and buy these cars. We have to support Montana industry and he agreed with the need for support of agriculture. However, this now would require product to be bought from out of state and Canada to support Montana cars. **{Tape : 1; Side : A; Approx. Time Counter : 20.9 - 22.2}**

SENATOR KITZENBURG MOVED TO STRIKE THE AMENDMENT. He asked that they consider dropping the amendment. He described stations

around the state that had the ethanol product. **{Tape : 1; Side : A; Approx. Time Counter : 22.2 - 23}**

The question was called. The vote was 4-2 with all three **SENATORS** voting yes and one House member **REPRESENTATIVE SMITH**, a yes vote. **REPRESENTATIVES SOMERVILLE** and **DEVLIN** voted no.

Ms. Kurtz read the rules that said for a joint committee a majority of each committee shall agree before any action may be taken.

The amendment is still on and there was no decision made.

ADJOURNMENT

Adjournment: 2:03 P.M.

SEN. BOB DEPRATU, Chairman

Deb Thompson, Secretary

BD/

EXHIBIT (ccs80sb0320aad)